Marketing Food Products Internationally—The Global Challenge

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In the autumn of 1985, Bob Schreck, Pillsbury's director of international trading operations, was paging through a U.S. Government publication when something caught his eye. It was the name of a sheik from the Yemen Arab Republic, a nation of about 8 million people, slightly smaller than Minnesota, on the tip of the Arabian Peninsula. Schreck knew Yemen was a developing country with a low per capita income, but he also was aware that it had recently discovered oil and its economy was expanding dramatically. He called the sheik on the telephone and within two weeks the two were meeting at a New York City hotel.

By January 1986, at the sheik's invitation, Schreck was in Sana, Yemen's capital, to make Pillsbury International the first U.S. company to take advantage of Yemen's worldwide tender for flour. Since then, Pillsbury has shipped to Yemen more than 300,000 metric tons of flour (the equivalent of 66 million 10-pound bags of family flour) and significant quantities of wheat, rice, and sugar.

Export Strategy Works

The Yemen connection, even though a small part of Pillsbury's global marketing effort, is significant. It is an example of the early success of USDA's Export Enhancement Program and GSM 102-103 financing, which help American companies compete against European Common Market subsidies.

It also demonstrates how Pillsbury, despite its relatively small scale internationally, uses exports as one strategy to extend its presence into international markets, and develop brands with global potential. Over the past several decades, the Minneapolis-based food and restaurant company has used the strategy to create markets for high quality flour, expand Green Giant vegetables into almost 50 countries, and establish joint venture flour mills and flour-based businesses in developing nations.

The Personal Touch

As part of this strategy, Pillsbury's entry into the growing Yemen market was hardly happenstance. Schreck carefully researched tribal history and the culture of Yemen. Both parties sensed a commitment to mutual trust. Equally important, Schreck spoke for one of the world's oldest and largest food companies, with annual sales of more than $6 billion and a flour milling heritage spanning almost 120 years. Its experienced transportation, operations, and finance capabilities could be tapped to service the Yemen account and benefit both parties.

Despite those advantages, Pillsbury hit some bumps along the way. "We've had some glitches in financing, some delays in communication, and some issues regarding quality," said Schreck. "But in the end, it really gets down to the personal relationship. That has meant the difference."

Schreck also has used the personal touch to develop a smaller, but similar, flour export program in Zaire. His first contact with government officials led to a relationship with executives of UPAK Bakeries of Kinsasha, one of that African nation's largest bakeries. Using his experience in flour production, he spent 10 days at the bakery in December 1986 with a Pillsbury colleague to understand UPAK's system. Today Pillsbury supplies UPAK with 50,000 tons of custom-made flour annually, made specifically for the company's modern bakery equipment. This success, and others, helped make fiscal 1988 a record year at Pillsbury for bulk flour exports.

Pillsbury's Flour Export Legacy

Pillsbury began exporting flour to Europe in the early 1880's, shipping "Pillsbury's BEST" in barrels which today form the symbol of the company's widely known trademark. At that time, Pillsbury Mills was the world's largest flour miller. During the 1950's, it exported flour mostly to developing nations.

Some of those nations, to reduce costs by building their own mills, created joint ventures with Pillsbury. Using these joint ventures and other acquisitions made in the 1960's, Pillsbury turned its attention to developing markets for value-added food products. In the 1960's and 1970's, it entered niches in the European baked goods market by acquiring Gringoire Brossard, maker of premium cookies and cakes, and Green's, a leader in cake and dessert mixes in the United Kingdom. Tactical acquisitions were added and will continue to be added to extend these categories into a pan-European presence for Pillsbury.

Building a Global Brand: Green Giant

Today, Pillsbury International has identified at least two potential global brands in its broad portfolio of consumer food products: Green Giant, the world's largest processor and marketer of sweet corn; and Häagen-Dazs, the leading super premium ice cream in the United States.

When Pillsbury acquired the business in 1979, Green Giant already had developed an export network focused primarily in Europe and Latin America. Almost singlehandedly it had awakened foreign diets to the nutritional benefits and menu versatility of canned sweet corn.

Though grown as early as 2500 B.C. by Aztecs and Mayans and well established in the United States this century, sweet corn was indigenous to North America and virtually unknown 30 years ago in Europe. When Europe sought emergency relief after World War II, the United States responded with Marshall Plan shipments of animal feed corn. The program succeeded, but a generation of Europeans came to define "maize" as cornmeal and corn flour, not as sweet corn.

To develop the business, Green Giant had to change these negative perceptions, first among agents and the European grocery trade, then among consumers through product trial. Green Giant executives Bob Cosgrove and Gene Felton made a personal commitment to develop export markets in the early 1960's. They hired international staff specialists who studied worldwide potential and appointed Green Giant representatives, rather than export houses, for each major market to buy and resell on Green Giant's behalf. These Green Giant employees and their agents were fully devoted to getting the product on store shelves. Furthermore, they could assure their customers, as Pillsbury and Green Giant always have done, of consistent quality and dependable supply. Billed in England as "America's greatest selling corn," Green Giant conducted product demonstrations in British stores and supported sales with consumer premium promotions and U.S. television commercials with local sound tracks.

The campaign was an immediate success. British consumers instantly associated the "green" in Green Giant with freshness and growth. By 1962, Green Giant products were in more than half the potential stores in southern England.

By the mid-1970's, exports of Green Giant canned sweet corn were rising at 36 percent a year. Imported sweet corn also became Green Giant's low-cost entry into the continental European vegetable market. A few years later, Green Giant used the same market development program in France, once again creating a significant, new vegetable category.

With business risk reduced by growing consumer acceptance, the second stage was ready, using local vegetables. To meet growing European demand and to reduce currency risk, Pillsbury also began producing Green Giant sweet corn at a joint venture facility, SERETRAM, in southwest France, with annual capacity of 2.8 million cases. Today, Green Giant sweet corn is number one in almost all of the markets where it competes in Europe, with sales approaching $100 million. In addition to canned sweet corn, Pillsbury has promising footholds in asparagus and frozen sweet corn. There is considerable room for growth. Sweet corn consumption in the United Kingdom and France is only one-fourth of that in the United States. Green Giant opportunities also exist in Latin America, especially Venezuela and Brazil, and in Mexico.

Pillsbury in the Orient

Pillsbury also sees substantial growth potential in Japan, where consumption of frozen foods was 8.4 kilos (4.2 pounds) in 1986, compared to 40 kilos (18.1 pounds) in the United States. Using $1.5 million in U.S. Targeted Export Assistance funds to support newspaper and magazine advertising, Pillsbury hopes to build its share of the market in Japan for Green Giant vegetables, especially canned corn, and polybags (plastic containers for "portion control") of frozen corn, peas, beans, cauliflower, and broccoli. Pillsbury also seeks a presence in Japan's neighboring markets—where premium quality vegetables can find a growing niche in South Korea, Taiwan, Hong Kong, and Singapore.

The company is also negotiating its first joint venture in The People's Republic of China, with a population that has the potential to become the world's largest market. The agreement could involve using fresh and canned asparagus from China and Pillsbury imports of Green Giant products, beginning with the traditional Green Giant entry vehicle, canned sweet corn. After North America and Europe, the Orient is becoming an important part of Green Giant's global marketing triad. Pillsbury's goal is to become the leading worldwide marketer of branded vegetables and to increase Green Giant's business outside North America to $500 million by 1992.

Häagen-Dazs: A World Brand?

Japan also has become the international launch pad for Pillsbury's other potential world brand: Häagen-Dazs ice cream. Acquired in 1983, Häagen-Dazs now has average annual volume growth of 17 percent, annual profit growth of 9 percent, and annual sales of more than $200 million.

Japan has become the international launch pad for Häagen-Dazs ice cream. (The Pillsbury Company)

The groundwork for Häagen-Dazs' entry into Japan was built on personal trust and contacts, developed by Hank Wendler, Häagen-Dazs director of business development in Japan. While with Carnation in the Orient in the mid-1980's, Wendler noticed in the *Japan Economic Journal* that Häagen-Dazs was discussing a joint venture with Suntory, a major Japanese corporation. "I knew I wanted to be part of the action," he said. "So I chased down an interview and by the time I was hired, Pillsbury had acquired Häagen-Dazs."

In 1985, Wendler made nine trips to Japan from the United States. He directed production and marketing teams and used kuchi-komi ("word of mouth") to draw attention to Häagen-Dazs' first shoppe in a high traffic area of Tokyo on a cold November day in 1984.

When the store opened, people stood in line 45 minutes to buy ice cream. Today almost 30 Häagen-Dazs shoppes are in Japan, many with annual sales of $1 million, and a Häagen-Dazs factory is in Gunma Prefecture, in the city of Takasaki northwest of Tokyo. Häagen-Dazs International also has entered Hong Kong, Singapore, Canada, West Germany, and Puerto Rico.

Focus on the 1990's

By focusing on a few, significant growth opportunities—such as Green Giant, Häagen-Dazs, value-added flour-based products in Europe and Latin America, and international trading activity—Pillsbury International is poised to double its current sales to $1.5 billion by the early 1990's.